

ORGANIZATION AND CONTROL IN AGRICULTURE*

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The subject of organization and control in agriculture is difficult to talk about for at least two reasons: it is conjectural and it is distasteful. It is conjectural because it is difficult to put together any hard evidence that anything genuinely new or different is really happening; the organization and control of commercial agriculture has been undergoing change throughout the history of commercial agriculture - a century at the very least. Yet there are important changes.

As for the distastefulness of the subject, I can think of at least two reasons why it troubles us to think about it. Both of them are that change is going to cost us something. One change is economic, which we understand but dislike, and the other is social, which we dislike but don't understand. Perhaps it would be useful to elaborate on these two points.

On Economic Change:

Although changing organization and control has been one of the constants of agricultural history, a reason why this has become of such great concern in recent years is that both the rate and the dimensions of change have increased in rather geometric proportions. The changes are much more dramatic and much closer to home. They are frightening. Industrial nations are accustomed to applaud change in the name of progress but it is much easier to regard change as progress when the costs are likely to be borne by somebody else than when it has become apparent that we must bear the costs ourselves.

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The kinds of economic changes we are witnessing are recorded in the U.S. Census figures. That from among nearly 1.4 million farms selling cattle in 1964, for example, a mere 6,000 of those "farms" accounted for nearly one-third of all cattle sales in that year (Figure 8), or that from nearly 185,000 enclosures where cattle were fed in 1970, 1.2 percent of those feedlots produced over half the fed beef (Figure 9).

During the last census decade for which complete figures are available, 1955-1965, the only farms that increased in number were those of 500 acres or more. One of every four cash grain farms ceased to exist during those ten years. So did one of every three dairy farms and half the poultry farms and two-thirds of all the cotton farms. Less than ten percent of all the farms and ranches produced more than half of all the output.

By 1964, the production of many agricultural products was concentrated in the hands of relatively small numbers of large operations. In that year less than 3,600 vegetable growers accounted for more than 80 percent of all vegetable crop sales. Less than 7,500 operations realized three-fourths of all field crop sales. Less than 20,000 poultry producers of all kinds accounted for two-thirds of poultry sales (and less than 50 firms accounted for two-thirds of broiler production). Similar high concentration ratios are apparent in other crops and these need not be specialty crops; ranching displays quite high concentration ratios (Figures 23 and 24).

On May 6, 1972, New Yorker magazine had a cartoon showing a pastoral scene at a bend in a two-lane highway; an attractive little farm with a cozy set of buildings set back from the road at the end of a short lane. Out at the road was a modest, hand-lettered billboard. It said: LAST CHANCE

Figure 24
Concentration of Farm Production By Type and Size,
1929, 1959, and 1964

Type of farm	1929	1959	1964	
	Large ¹	Class I ²	Large ³	Class I ²
	As Percentage of Total			
Vegetable	20.0	73.3	67.1	81.4
Other field crops	5.1	55.8	49.1	73.7
Poultry	3.3	55.4	38.0	67.9
Fruit and nut	19.9	45.1	46.7	67.6
Miscellaneous	1.0	62.1	44.6	65.4
Ranches	29.2	59.8	46.5	64.0
Cotton	1.4	46.8	31.3	55.2
Livestock	2.1	33.9	26.8	46.8
General	.2	20.7	18.3	33.6
Cash grain	1.8	16.7	6.4	23.9
Dairy	3.0	15.3	9.9	23.4
Tobacco	----	3.9	3.9	8.2
Total	5.0	32.8	24.8	43.7

¹Farms with sales of \$30,000 or more in 1929, which is comparable with \$48,600 in 1959 and \$48,450 in 1964.

²Class I: Census of Agriculture farms with sales of \$40,000 or more.

³Farms with sales of \$100,000 or more. They are part of the total number of Class I farms.

Source: Krause, K. R., and Kyle, L. R., "Midwestern Corn Farms: Economic Status and the Potential for Large and Family-Sized Units," AER 216, ERS, USDA, November, 1971.

Figure 23
Number of Large Farms By Type and Size
1929, 1959, and 1964

Type of Farm	1929	1959	1964	
	Large ¹	Class I ²	Large ³	Class I ²
	Number			
Vegetable	785	2,730	1,590	3,577
Other field crops	699	4,011	2,237	7,334
Poultry	225	11,151	4,744	19,249
Fruit and nut	1,924	6,547	2,511	8,103
Miscellaneous	101	3,830	1,644	5,034
Ranches	1,829	6,757	1,815	5,921
Cotton	441	13,171	3,465	13,033
Livestock	453	29,439	6,692	35,116
General	50	4,775	1,884	8,783
Cash Grain	486	10,828	2,141	19,301
Dairy	882	8,538	2,576	15,463
Tobacco	---	322	102	1,000
Total	7,875	102,099	31,401	141,914

¹Farms with sales of \$30,000 or more in 1929, which is comparable with \$48,600 in 1959 and \$48,450 in 1964.

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Source: Krause, K. R., and Kyle, L. R., "Midwestern Corn Farms: Economic Status and the Potential for Large and Family-Sized Units," AER 216, ERS, USDA, November, 1971.

to purchase EGGS-MILK-VEGETABLES from SMALL FAMILY FARM. Next SMALL FAMILY FARM - 250 MILES. That says it rather well, it seems, and it bears heavily on that other distressing aspect of this subject, the social change that accompanies the changing organization and control of economic activity, agriculture included.

On Social Change:

Now this is entirely conjectural but it seems to me that social change occurs most rapidly when there is a conflict between the rules of social behavior and the necessities for economic survival. Consider the dictums of a century ago when economic activity was characterized by a predominantly rural economy of owner-operators on self-sufficient farms, Main Street was lined with small, independent merchants, and huge cities and industrial muscle exerted only an adolescent influence. Successive generations learned the practical value of maxims that favored survival in not only an economic but a social setting as well:

A man's word is his bond
A man's home is his castle
God helps those who help themselves
The early bird catches the worm
He who hesitates is lost
A rolling stone gathers no moss
Actions speak louder than words
If wishes were horses beggars would ride
The road to Hell is paved with good intentions
Nothing ventured, nothing gained
Where there's a will there's a way
An ounce of prevention is worth a pound of cure
A penny saved is a penny earned
That government is best which governs least.

But what has happened is that technology has induced changes in economic organization and control so that social man in the economic environment has begun to express an entire litany of disaffected parodies of the old rules:

All the early bird gets is worms
Do unto others before they do unto you
It's not how you play the game but whether you win or lose.
If at first you don't succeed - to Hell with it
If you can't lick'em - join 'em
He that hath the gold maketh the rules

These are the survival rules of the union man on the Ford assembly line. They are not the customary rules of social behavior. The first set of maxims works well on the farm; the second set works on the line at Ford. The first set of rules is "socially acceptable." The second set is not. Sophisticated technology requires sophisticated economic organization, which amounts to the creation of more corporate arrangements, all in the name of optimum operational efficiency. The conflict seems to be that the emerging economic necessities are less and less socially acceptable, the assignment of values is not very accurate.

Now this kind of a conflict cannot persist. For societies to survive there needs to be an accord between social performance and economic necessity, between public and private interest, between who we say we are and what we do. The watch and the mainspring need to be in agreement about their purpose. Somehow, the diverging tendencies of the social and economic sectors need to be resolved in order to preserve the whole show as a going concern. Either economic performance needs to be adjusted to accord with social expectations, or social expectations need to adapt themselves to the economic realities of an industrial era.

How this is to be resolved is what all the massive social debate of recent years is all about. The debate in agriculture is only a part of the larger concern. There is no easy or painless solution because both the social expectations and the new economic realities are pretty well set in the concrete of necessity. Our national identities, our statements of who we are as societies, specified in our founding

documents, are a product of our social sector. But our national survival, dependent as it is on the effective production and distribution of goods and services, clearly requires the implementation of modern technology and the organizational necessities it imposes. Do not let your understandable Canadian sensitivity about the U.S. monolith cause you to interpret this narrowly as some international difficulty between the United States and Canada. These are internal problems that each nation faces, and so does every industrial nation. Some nations may focus on the preservation of social identity at the expense of industrial growth while others may alter their social convictions in pursuit of industrial leadership. Japan would seem to be a visible example of the latter.

How Does it Go in Agriculture?

The problem is, for agriculture at least, that societies seem to be altering themselves to accomodate the economic realities. It is only the very developed industrial nations after all that have serious doubts about the desirability of industrial growth. Most developing countries would much prefer a corporate smokestack and pollution to unemployment.

So a wave of social change is outbound from industrial America, headed for the dikes and levees of lowland agriculture, where old rules prevail. That's what bothers us. With the disproportionate political power of agriculture we have throughout a century been piling sandbags on the levees as the water level rose, but now, with the wave approaching, we don't think the dikes will hold. We don't buy the new rules, we don't want to play the game that way, and we don't like people who redefine the rules so they can win the game. The dikes are leaking like a seive. Everywhere we look we see the spreading puddles: co-op mergers, marketing boards, broiler factories, cattle

feedlots, citrus empires, and all those newcomers are playing a new game we don't like and don't understand. We're torn between old rules and new rules; between a man's home is his castle and if you can't lick 'em join 'em; between how you play the game and whether you win or lose; and we're beginning to choose up sides behind the dikes. You've got your finger in the dike and your neighbor is building a boat.

Now, no matter which side you are on you can count on this: If agriculture is left to pursue its natural, economic evolution, implementing new technology and making the requisite organizational changes, the puddles will spread. The only way that this developing economic pattern for agriculture will be altered will be by specifying the growth patterns that are expected for agriculture by the social sector, through public policy. Whether policy changes to reflect economic needs or whether economic growth patterns respond to policy pronouncements is entirely up to you.

Some Policy Considerations

First of all there are some facts to live with that it would be a waste of time to try to change:

1. One of agriculture's problems is that new technology pours into agriculture faster than the resources it replaces can leave. This produces excess capacity and downward pressure on prices. It's a waste of time trying to persuade people to turn the technological spigot off. There are probably three or four reasons why this is true. There's a lot of stockpiled technology that would continue to pour in after the public faucet is turned off. Turning off the public faucet just gives

the private faucet the upper hand; it continues to run to the benefit of those who can afford it. Stopping progress in agriculture means less public savings there to be applied to worthy purposes elsewhere; agriculture isn't the whole show. And finally, you won't persuade anybody anyway. Industrial nations got where they are by an attentive respect for what technology can do for them. They're not going to quit on a good thing.

2. Protective legislation for agriculture doesn't mean protective legislation just for you. It means protective legislation for anyone who gets into agriculture. There are some people outside agriculture who could benefit from that sort of protection even more than you could. You'll invite a lot of strange bedfellows in to sleep with you by that sort of approach. Be careful how you do it.

3. People need and expect agricultural abundance. Policies to restrict output to provide you a one-sided benefit will raise public ire. Try to force an urban public to do things your way at their expense and you'll feel like three duck hunters in a rowboat firing a broadside at a battleship. If it fires back your duck hunt is over.

4. Since technological change is behind the trend away from family farms, a hardheaded insistence on the preservation of the family farm will be to deny the entry of some technology into agriculture. You probably won't get a very enthusiastic response.

There are, however, some things in which it might be well to maintain a continuing interest:

1. Most countries are interested in assuring equality among their citizens. Carried over into the economy of capitalist countries, this

means assuring competition among the participants or, as one textbook says it, restricting competitive activity in order to preserve competition. In the United States it is customary to regard the governmental role in this respect as both regulatory and facilitating. This means that government will strive to restrict that sort of competitive activity among industry leaders that would limit opportunities for the small participants and tend thereby to injure competition and, at the same time, to provide facilitating aids to small participants which would improve their competitive vigor. You should be interested in programs that will improve the facilitating function of government because agriculture is still the sector of the economy that is characterized by many, small independent participants. All of the following suggestions are illustrations of this principle.

2. Taken in the context above, it is possible to see that your entire network of public colleges and universities, the extension service, district agriculturists and ag. reps. all are a part of the facilitating role of government. These people are public employees and serve essentially as dealers in information available to everyone (see Figure 13). Their purpose is to give everybody an equal access to the kind of information that is essential for competitive survival. The giant leaders of industry have their own private sources of information for their own competitive benefit; they don't plan and aren't obliged to share it. Without a public source of information the disparity of information between you and them would be very damaging to your competitive prospects.

So there are three things you need to do with these people: You need to use them to the fullest extent possible. They are your employees.

You need to care that they are effective in doing their job, of being on top of information and having it available, and you need to care that the kind of information they dispense is useful. There is a difference, you know, between data and information. Information is data that has the capacity to change things.

3. Federal and provincial Ministries of Agriculture, and many other agencies of government, provide published information on a continuing basis. Usually you can get on a mailing list at no cost to you. So get on the lists and start sorting information. You've already paid for it as a taxpayer; you have earned the privilege of throwing stuff away. Get the information to your mailbox first and worry later about discovering which of it is most useful to you.

4. These admonishments about getting and using information really say that you must be an avid information-hunter, not just a passive information receiver. It has occurred to me that one of the disadvantages of organized education is that we learn from early childhood in the classroom that it is our business to sit still and behave and information will come to us. By the time we graduate we've already lived a third or fourth of our lives and it is easy to take for granted that this is the way information flows: sit still and behave and it will come to us. But that's not the way it works. That happy process stops with the diploma and in school they forget to warn us about that. After graduation those who sit still and behave are the last to know. By the time they find out, the information is used merchandise and the benefits have all been skimmed. The last ones to find out are always playing catch-up ball.

5. Markets need information just as much as individuals do and what markets need for strong competitive performance is important to you. As individual producers you need free access to open and competitive markets. Such markets thrive on public information. Closed markets, like integrated production and contract prices tend to operate on private information. When markets like this predominate, then if you are not in you really are out in the cold. There are literally thousands of uncontracted broiler and egg producers in the United States, but they only account for about 10 percent of the production. They are out of it; they don't have satisfactory access to markets anymore.

6. I can think of two, specific kinds of public information that would expand your market for cattle and calves and improve your access to that market. One of these is feeder calf grades; you should explore the possibility of putting together a set of uniform grades that contain useful information about probable calf performance that would be worthwhile to buyers. When it becomes increasingly possible to buy and sell calves by description you attract many additional buyers that could not be physically present to buy on the basis of personal inspection. The other kind of information you need is public distribution of wholesale prices for beef. These are carcass prices. They are the basis on which live prices are determined. If only buyers know this information, and sellers don't, then an important aspect of competitive performance is missing in the market place. Such information needs to be available on a current basis; this may mean not only daily but hourly. The information is already available. Your need is to get it distributed.

7. In the broader policy area I think there are some long-run goals to pursue that could be advantageous to you. (a) One place to begin is to look at Figure 13 at those ten essential activities that must be done, identify weaknesses in specific areas, and come to some consensus about how the industry can make essential improvements. Is access to credit adequate? Does improving credit access involve improving some public program or is some other effort required? Feeder grades and wholesale prices would improve buying and selling. Would anything else also aid in improving these? Do you have an effective promotional campaign? What is an effective promotional campaign and how do you run one without sinking into the bog holes that have swallowed so many promotional efforts? Is what you have to say in a promotional program really information that can make a difference or is it just data?

(b) There is sometimes a tendency to feel that problems are resolved by individual industry appeals to government. But is it not possible to present a more persuasive case if you can demonstrate that cattle industry problems, say, are community problems also? If conditions as they are cause many individuals to be forced off farms and ranches and into cities, is it not worthwhile to ask cities what they will do with these people? Maybe programs to keep them on the farm would be much more beneficial to both the city and the rural countryside. What happens to business on Main Street when industry gets so big it buys everything it needs from central suppliers in the major cities or outside the province? Cattlemens' problems are community problems and communities need to have pointed out to them just what those community problems are going to mean.

(c) There are going to be more public decisions about and controls affecting environmental use. Do you plan to participate in that decision-making process, or is someone else going to make decisions for you?

(d) There is going to be more attention devoted to organizing farm labor. Most ranchers probably assume that this is bad. Is it? What would be the effect of labor unions in agriculture? It would probably increase wages, right. But might it also increase the availability of reliable labor? Is reliable labor hard to find? Could you see some more of it? Maybe you could persuade those public servants at the university to do some research and get some answers.

I think it is time for me to quit. When I make so many suggestions, you see, I really feel that I should apologize. I am, after all, a guest, and it is generally considered bad form for guests to remark to hosts about how to run their household. Moreover, I am a stranger and it is unbecoming of strangers to act like resident experts. You have some genuine resident experts of your own. I would urge you to make the most of them.